



2004 Indiana Tourism Council Report to Governor Kernan

“In travel and tourism, we have many reasons to always look forward to the next sunrise. Only travel brings us face to face with people from different cities, different states, different nations and different outlooks.”

-- Bill Norman, President and CEO, Travel Industry Association of America



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Indiana Tourism Council 2003 Year in Review

The 33-member Indiana Tourism Council advises the Indiana Department of Commerce's Office of Tourism Development through strategic planning and consensus building.

In 2003, the Indiana General Assembly passed legislation that would restructure the existing Indiana Department of Commerce in 2005. As such, the Indiana Tourism Council determined that the time was right to reassess the mission, structure and function of the current Office of Tourism and engage in a lively debate about opportunities to advance tourism in Indiana.

In August 2003, a series of focus meetings were held to solicit input from tourism experts, resource managers and industry representatives. Administrative structure, product development, funding and marketing were all explored toward the goal of building an ideal tourism office for Indiana.

Members attending the September 2003 annual retreat took this discussion even further and continued to explore possible alliances and avenues to advise and assist the Office. The overarching theme throughout the two-day meeting was Indiana's "quality of life" and the role that both tourism and community development have historically played in creating a better place to visit and live. It was suggested that the value of "quality of life" be more specifically defined so that the Office of Tourism could respond by structuring targeted community amenity development programs.

Recommendations from the retreat included supporting the idea to promote and develop Indiana's tourism product, and encouraging the Office of Tourism to become a full partner in the state's economic development activities. Ongoing work groups were established dealing with marketing and communications. An additional group focusing on product development group was created, as this is an issue the Council strongly believes needs its attention and guidance.

Other recommendations included urging of the passage of the NAICS legislation and the creation of an Indiana Tourism Commission.

In March 2004, Senate Bill 278 passed both houses and, as of this report date, is on the way to the Governor's office for signature. This legislation will enable substantiation of tourism's economic impact by accurately tracking Indiana sales tax collections. It is a bridge to a possible new, sustainable funding mechanism that will allow the tourism budget to increase as the industry grows.

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U.S. Tourism Facts

The travel industry is the third largest employer in the United States.

Impact of Travel on the U.S. Economy

In 2002 (latest available data), the U.S. travel industry received more than \$528.5 billion in visitor spending from domestic and international travelers. In turn, these travel expenditures generated nearly 7.2 million jobs for Americans, with nearly \$157 billion in payroll income.

Total travel spending generated \$93.2 billion in taxes for federal, state and local governments in 2002. This represented 3.2 percent of total taxes collected in the nation.

After health services and business services, travel is the third largest private employer in the United States. During 2002, approximately one out of every 18 U.S. residents in the civilian labor force was employed due to direct travel spending in the United States.

2002 Total Domestic Travel Volume: 1.021 Billion Person-Trips

- Leisure travel accounts for 77 percent of all U.S. domestic travel
- Business travel accounts for 12 percent of all domestic person-trips
- Auto travel accounts for 75 percent of travel in the United States
- The most popular U.S. activities are shopping, (34%), outdoor activities (17%) and visiting historical places/museums (14%)
- Nearly half of all person-trips are taken within the traveler's state of residence

(Source: Travel Industry Association of America Domestic Travel Market Report, 2003 Edition)

The United States is the only industrialized Western national without a federally funded international tourism marketing office or program. In 2003, Congress enacted a one-time \$50 million appropriation for an international destination marketing campaign, currently being launched by

the U.S. Department of Commerce's Office of Travel and Tourism Industries. The Travel Industry Association has worked to draft legislation to create a long-term, public-private partnership to position, brand, and promote the United States as the world's premier travel destination.

National Travel Trends

Overall traveler spending by domestic and international visitors is forecasted to increase 4.4 percent in 2004.

Top Ten Travel Trends

1. One to 2 percent growth in overall travel and tourism revenues for 2004
2. "Bargain-brained" consumers
3. Continued last-minute trip planning
4. Cost-contained business convention and meeting travel
5. Intense growth in permission and referral marketing and customer tracking
6. Increase in user-friendly technology for travel planning and purchases
7. Consumer concern for safety, personal comfort, control and bargain buying
8. Changing customer demographics – the aging of America
9. Growth in high-end leisure travel experiences
10. Growth in theme and "total immersion" leisure travel

(Source: Randall Travel Marketing)

In 2002 (latest available data), the U.S. economy struggled to recover from the aftermath of the terrorist attacks and recessionary conditions. Helped by domestic leisure travelers, travel volume increased slightly, up 0.3 percent in 2002. However, international visitors to the United States and their expenditures fell dramatically.

- Business/convention/seminar travel was the most negatively affected in 2002, down 7.3 percent.
- The airline industry has been hit particularly hard. Total passenger revenues decreased 24.7 percent in 2002. Passenger traffic began to improve in 2003.
- The hotel industry saw some improvement in 2003 with hotel room demand rising an estimated 1.6 percent. Employment in the hotel industry, which declined 3.7 percent in 2002, fell again in 2003 (-0.9%).
- The U.S. foodservice industry performed better than other travel-related sectors in 2002, with sales rising 5 percent to over \$334 billion.
- Amusement and recreation services earned a record \$150.6 billion in total 2002 receipts, up 2.8 percent over 2001.
- In 2002, receipts of travel agencies and tour operators fell 3 percent to under \$25.3 billion, reflecting the depressed levels of certain types of travel as well as a continuing shift to online booking.

(Source: The Economic Review of Travel in America, 2003 Edition, Travel Industry Association of America)

Impact of the Internet

Internet penetration among U.S. adults is no longer experiencing the rapid growth seen in the late 1990s and may have seen its plateau in 2002. Frequent travelers taking five or more trips annually have a high likelihood of using the Internet (74%). In 2003, one in 10 online travelers claimed that they had indeed taken a trip they otherwise would not have taken based on an e-mailed travel promotion, discount or offer.

(Source: Travel Industry Association of America, *Travelers' use of the Internet*, 2003 Edition)

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Tourism in Indiana

Visitor spending impacts state and local economies by sustaining jobs and generating tax receipts.

Indiana's Tourism Industry

Indiana's tourism industry, like that of other states, consists of a considerable cluster of businesses and communities that depend on travel and tourism. Easily defined by NAICS codes, some of those businesses in the travel and tourism-dependent category include:

Gasoline stations, hotels, full-service and limited-service eating places, recreational goods rental, racetracks, RV parks, campgrounds, liquor stores, taxi/limo services, charter bus services, performing arts, gaming, amusements and recreation, convenience stores, gift/novelty/souvenir stores, passenger car rentals, museums, historic sites, zoos, botanic gardens, nature parks, amusement and theme parks, golf courses and marinas.

Destination Marketing Organizations

Convention and visitors bureaus are the lead destination management and marketing organizations in 55 of Indiana's 92 counties. Primarily funded by innkeeper's taxes, these establishments have combined budgets of more than \$35 million. The Association of Indiana Convention and Visitors Bureaus was the first in the nation to develop professional standards and a nationally acclaimed accreditation program.

Indiana's Tourism Economy

Total Visitor Volume	58 million person trips
Total Visitor Expenditures*	\$6.5 billion
Total Direct Jobs (FTE)	94,000
Payroll	\$1.7 billion
State Government Tax Receipts	\$322.1 million
Local Government Tax Receipts	\$126.3 million
Domestic Visitor Spending Rank	27th
International Visitor Spending Rank	29th

Total 2001 visitor spending decreased 3.3 percent over the \$6.7 billion spent by travelers in 2000.

* DK Shifflet, whose methodology accounts for day-trip travel, reports \$8.5 billion in total visitor spending for Indiana (2001).

(Sources: Travel Industry Association of America *Impact of Travel on State Economies*, 2003 Edition, D.K. Shifflet & Associates, 2001 *Indiana Travel Intelligence*)

How Visitors Enjoy Indiana	2003
Enjoy scenic beauty	76.4%
Eat at unique restaurants	56.5%
Go Shopping	53.9%
Visit lakes/rivers/natural features	53.0%
Visit small or quaint town	51.3%
Take scenic drives or tours	48.7%
Visit historic sites	47.0%
Visit state or national parks	42.9%
Attend fairs/festivals	38.3%
Visit relatives	35.4%
Go hiking or biking	28.5%
Go antique shopping	26.8%
Visit friends	25.6%
Outdoor activities	24.2%
Visit zoos/child-oriented museums	20.7%
Go Camping	20.7%
Visit larger metropolitan cities	20.5%
Visit art/cultural museums	18.4%
Look for distinctive architecture	15.9%
Visit amusement/theme parks	15.3%
Gamble at riverboat casinos	14.1%
Attend symphony, opera, theatre	12.1%
Attend sporting events	11.0%
Visit nightclubs or bars	9.5%
Go to a popular music concert	8.9%

(Source: 2003 *Conversion Study*, Strategic Marketing & Research, Inc.)

Indiana's state parks together generate 12 million visitor days per year. Forty percent of state park inn room nights are occupied by out-of-state travelers. *(Source: Indiana DNR)*

Indiana's 200 campgrounds generate \$30 million in revenue annually. Camper spending is estimated at \$320 million annually. Forty-eight percent of all American-made recreation vehicles are built in Indiana, directly employing 28,500 Hoosiers. *(Source: Recreation Vehicle Indiana Council)*

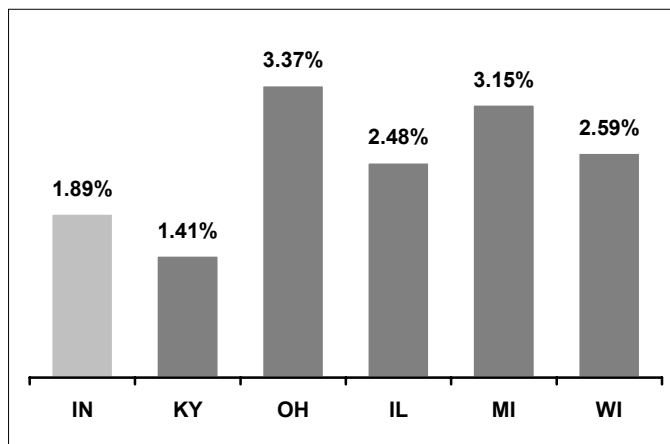
The average **Indiana festival** hosts 34,000 visitors, 20 percent of which are from out-of-state. Festivals as a whole spend more than \$36 million a year to produce their events. On average, one festival will generate sales of more than 50 room nights and 47 camping overnights. *(Source: Indiana State Festivals Association)*

Indiana's Visitor Profile

The typical overnight leisure traveler is married (74.7%), 47 years of age, has a graduate or post-graduate degree (44.7%) and a household income of \$56,183. The average Indiana travel party takes 2.3 trips for 3.5 nights with 3.4 people to/within the state each year, travels by auto (85%) without children (57%) in the summer (63.8%) and spends \$678 per trip.

(Source: 2003 Conversion Study, Strategic Marketing & Research, Inc, D.K. Shifflet & Associates, 2001 Indiana Travel Intelligence)

Indiana's Competitive Position: U.S. Market Share (person-trips)



(Source: D.K. Shifflet & Associates, 2001 Indiana Travel Intelligence)

Top Origin States, Overnight Leisure Travel to Indiana

Indiana	35.1%
Illinois	13.1%
Ohio	8.7%
Michigan	6.8%
Kentucky	4.1%

(Source: D.K. Shifflet & Associates, 2001 Indiana Travel Intelligence)

Indiana Travel Parties Spend \$678 Per Trip

Meals/Food/Groceries	\$159
Lodging	\$135
Novelties/Souvenirs	\$116
Shopping	\$87
Recreation: boat rental/golf fees, etc.	\$73
Transportation	\$21
Attractions	\$48
Entertainment: shows/theatre/concerts	\$20
Other	\$19
TOTAL	\$678

(Source: 2003 Conversion Study, Strategic Marketing & Research Inc.)

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Return-on-investment. Visitors spend \$572 in Indiana for every dollar invested in marketing. The state realizes \$34 in sales tax revenues per dollar invested in advertising.

Indiana ranks third nationally for local and private investment in state tourism programs (behind Florida and California, both of which are privatized). Nearly 40% of Indiana's marketing plan is funded by partnerships.

Brand positioning. In 2003, Indiana's tourism brand positioning was modified to incorporate themes that align with the Department of Commerce's key messages. Six television commercials filmed in 2003 were awarded a silver medal by the central Indiana advertising community.

EnjoyIndiana.com. A dramatic redesign of the state's official travel Web site, EnjoyIndiana.com, incorporated new, highly advanced mapping technologies. Nearly 2 million users visited the site in 2003 and viewed 6.2 million pages.

New Outdoor Recreation Guide. The Office of Tourism, Indiana Department of Natural Resources and the Recreation Vehicle Indiana Council will deliver this first-of-its-kind guidebook to 750,000 recreation enthusiasts in 2005.

Agricultural tourism. The Office of Tourism was instrumental in bringing together dozens of organizations in the creation of a new agri-tourism initiative that will assist Indiana's farmers, food producers and rural communities in attracting new revenue streams.

Film and video production is a \$352 million industry in Indiana. In 2003, Indianapolis received national recognition from *MovieMaker* magazine as a film location for the third year. A dramatic TV series shot in Indianapolis is scheduled to premier in China in spring of 2004.

Indiana Department of Commerce, Office of Tourism and Film Development

Tourism offices can have a substantial impact on a state's image as a place to do business, live, and travel.

Indiana's Tourism Industry

States have long recognized the significant impact tourism has on their economy, and all states support and fund a tourism organization of some kind. State tourism offices are considered essential because travel and tourism is most often one of the top three or four industries in a state. Most importantly, tourism marketing programs are a profitable use of tax dollars, generating sales tax returns many times the state's investment.

Indiana's Office of Tourism Development's mission is to **stimulate visitor spending and economic growth by developing and promoting quality travel experiences in Indiana**. The Office works to maximize the amount of money visitors spend in the state, compete for additional market share and work towards obtaining a tourism trade surplus.

With \$2 million in industry support, the Office publishes and delivers 4.8 million pieces of literature; runs print, radio and television advertising and direct mail campaigns; continually upgrades the official state tourism website EnjoyIndiana.com; generates news and feature stories; and operates eight state welcome centers.

Indiana has an excellent reputation for doing more with less, creativity, partnership building and generating a substantial return on investment.

State	Total Budget	U.S. Budget Rank
Illinois	\$49.7 million	2
Indiana	\$3.9 million	37
Kentucky	\$6.8 million	28
Michigan	\$14.7 million	10
Wisconsin	\$14.8 million	9
Region Avg. (excl. IN)	\$17.2 million	

(Source: Travel Industry Association of America, 2003 Survey of State Tourism Offices)

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Marketing Indiana: Indiana's Brand Position

The 2003 Indiana Marketing blueprint served as the basis for developing Indiana's positioning.

Brand Positioning

"Indiana is a progressive and exciting state with a strategic central North American location, cutting-edge universities, and innovative/creative clusters of businesses, tourism attractions, and cultural centers."

Indiana Office of Tourism Marketing Role

Champion the brand and image, convene discussion and debate, lead partnership building and brand marketing efforts, and manage product/prospect/customer data.

Key Marketing Focus Areas

1. Research (understanding Indiana's competitive position)
2. Technology (Internet and e-communications strategies)
3. Teamwork (state/local/private branding and core messaging alignment)
4. Relationship building (sales, communications, customer linkages)

Marketing Business Goals

- Improve the brand image of Indiana as a place to live, work and travel
- Change image from modest and conservative to creative and fun
- Create quantifiable return-on-investment attributable to marketing

Target Audiences

Advertising targets getaway travelers from Indiana and contiguous states familiar with Indiana. Primary travel decision-makers are 25- to 54-year-old females. Distinctions are made between families traveling with children those traveling without.

Measurements of Success

- Image, awareness and perception benchmarks
- Direct return-on-investment of marketing activities
- Private/local support of marketing-communications program

Brand Personality

Indiana is centered, approachable, smart and well informed. Elements of surprise and unexpected images communicate Indiana's individuality.

Key Messages for Consumers

- Indiana offers high-quality getaways in a beautiful setting
- Indiana has unique, remarkable attractions, destinations and events
- Indiana is fun and exciting

- Indiana is full of interesting discoveries

Indiana's Travel Product

Indiana is convenient, affordable, easily accessible and, in many cases, undiscovered. Indiana offers a diverse collection of travel opportunities including high-caliber museums, beautiful cities, towns and rural areas, world-class amateur and professional sports and excellent outdoor recreation.

Ten Indiana casinos continue to provide tax revenues to support projects throughout the state. Over \$1.2 billion in wagering taxes have gone into the Build Indiana Fund to support road and bridge upgrades, and community projects. More than \$751 million in admission tax has benefited communities in all 92 counties. Indiana's casinos are the fifth largest employer in Indiana, employing more than 16,500 Hoosiers.

(Source: Indiana Casino Association)

New Attractions

- The John Hunt Morgan Trail was completed in 2003, commemorating Morgan's raid during the Civil War
- In October, the Falls of the Ohio in Clarksville was the site of the second of 15 national signature events commemorating the Lewis & Clark Expedition Bicentennial
- New online reservation systems make it easy for people to reserve a spot at one of more than 7,500 public campsites or the seven state park inns
- The Kenny Irwin Jr. Memorial Campground, opened in 2003, will benefit at-risk kids nationwide
- Several new interpretive and conference centers opened in 2003: the Canal Conference and Interpretive Center in Delphi, Lyle Station in Gibson County, and the Salamonie Interpretive Center
- The Fair Oaks Dairy in Fair Oaks opened their Adventure Center, a \$14 million dollar project
- Four wineries opened their doors: The Carousel Winery in Bedford, the Oak Hill Winery in Converse, Kapp Winery in Jasper and Carmel's Grape Inspirations Winery
- The Ironhorse Roadhouse, an 800-seat entertainment complex opened in Greensburg, as well as the Stargazer Amphitheater in Madison
- The state-of-the-art News Castle Motorsports Park will open in 2004 and will host more than 20 events annually

Attraction Expansions

Existing Indiana attractions are making substantial capital investments in their facilities, including the Indianapolis Museum of Art and the Eiteljorg Museum in Indianapolis, Das Dutchman Essenhaus Inn and Conference Center in Middlebury, The Farmstead Inn and Conference Center in Shipshewana, and Holiday World and Splashin' Safari in Santa Claus.

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The Hotel and Restaurant Industry

Restaurants have been able to rebound faster than other tourism-related industries.

Indiana Hotel & Restaurant Facts

Over 869 Indiana hotels employ 16,600 Hoosiers in Indiana

Indiana hotels generated \$1 billion in visitor spending and \$600 million in state sales tax revenue in 2003

Indiana is home to more than 13,000 restaurants

More than 200,000 Hoosiers are employed in the restaurant industry

Indiana restaurants generated more than \$1.6 billion in sales and \$960,000 million in state sales tax revenue in 2003 attributable to travel and tourism

Hotels

The American Hotel & Lodging Association (AH&LA) reported a 59.1 percent average occupancy rate for 2002, down from 59.7 percent in 2001. There were 47,040 properties and a total of 4.4 million rooms. Total industry revenue declined in 2002 to \$102.6 billion, down from \$103.5 billion in 2001. There are 1.8 million hotel property employees in the United States. The lodging industry employs one of every seven Americans either directly or indirectly because of people traveling to and within the United States.

Smith Travel Research reports that in 2002, demand for hotel accommodations grew by 0.6 percent to approximately 2.6 million rooms sold per day. Changes in the supply and demand equation and the overall weak demand from business travelers put pressure on average daily room rates, which went from \$84.63 in 2001 to \$83.38 in 2002.

Restaurants

The National Restaurant Association (NRA) defines the restaurant industry as encompassing all meals and snacks prepared away from home. Restaurants continue to be an important part of the American lifestyle with restaurants providing more than 70 billion meal and snack occasions in 2003.

The restaurant industry is the nation's largest private-sector employer with an estimated 11.7 million employees, nearly 9 percent of total U.S. employment. More than four out of 10 adults have worked in the restaurant industry at some time during their lives.

The restaurant industry posted its 11th consecutive year of real sales growth in 2002. Because restaurants depend on local business as well as travelers, they were able to rebound faster than other industries. In 2002, U.S. commercial food and beverage sales grew to \$374 billion, a 4.1 percent increase from 2001. Findings by the NRA show that travelers and visitors account for roughly half of these sales at table service restaurants with average person checks of \$25 or more.

(Sources: The Travel Industry Association of America, Tourism Works for America, 12th Annual Edition, 2003, The American Hotel & Lodging Association, Smith Travel Research, Indiana Hotel & Lodging Association, National Restaurant Association)

The Indiana Tourism Council

Lt. Governor Kathy Davis, Chair

Government Officials

Office of Tourism Director
Department of Natural Resources Director
Department of Transportation
Commissioner

Governor Appointees

John Chidester, Holiday World
Tina Connor, Historic Landmarks
Foundation of Indiana
John Greulich, Ramada Inn Columbus
Lisa Ferris, Conner Prairie
Marcia Hoyt, Lantz House Inn
Bob R. Miller, Das Dutchman Essenhaus
Andy Rogers, Brown County Restaurants
and Hotels
Bill Wellman, Whiteco Industries
Rev. Charles Williams, Indiana Black Expo
Connie Weinzapfel, Historic New Harmony

Indiana Legislators

Sen. James Merritt, District 31
Sen. Connie Sipes, District 46
Rep. Jerry Denbo, District 44
Rep. David Yount, District 59

Association Representatives

Susan Hindman, RVIC
Michael Smith, Casino Association of
Indiana
John Livengood, Restaurant and Hospitality
Association of Indiana
Katie Holderby, Tour Indiana
Carol Stenbro, Indiana Bed and Breakfast
Association
Tom Richardson, Indiana Hotel and
Lodging Association
Peggy Hobson, Association of Indiana
Convention and Visitors Bureaus
Doug Weisheit, Indiana State Festivals
Association

Regional Representatives

Dionne Wisniewski, Northern
Randy Ballinger, Eastern
Bill McGowan, Central
Jeanne Stanbaugh, Western
Linda Lytle, South Central
Gordon Smith, Southern

Communicating with an Indiana Tourism Council member is one of the best ways for you to voice your issues, concerns and ideas – you are invited to contact any member at any time.

Purpose

The Indiana Tourism Council was established by the Indiana legislature in 1997 and acts as an advisory body to the Office of Tourism Development.

The Council is charged with:

1. Assisting in developing goals and objectives for the Office of Tourism
2. Establishing advisory groups to make recommendations on tourism research, development and marketing
3. Analyzing the results and effectiveness of grants made by the Office
4. Building commitment and unity among tourism industry groups
5. Creating a forum for sharing and ideas regarding tourism
6. Encouraging public and private participation in tourism promotion
7. Making recommendations to the Office of Tourism regarding any matter involving tourism

Members take responsibility For:

- Acting as the point of contact for their representative industry group or geographic region
- Bringing industry issues to the Council's executive committee or Council meetings for discussion
- Placing Council updates into member association newsletters and/or in other appropriate correspondence
- Sharing Council news with industry groups at professional functions

Schedule

The Indiana Tourism Council meets quarterly, with one meeting per year serving as an annual retreat to fully examine issues affecting travel and tourism in Indiana. All meetings are open to the public.

Work Groups and Committees

Committees are standing groups that retain their members over time, work toward long-term objectives and give on-going guidance to the Office of Tourism. Workgroups are teams that concentrate on specific projects with

shorter timelines. Council member and non-Council members alike are encouraged to serve.